Name:______________________________________

County:_____________________________________

Date:_______________________________________

TAXABLE POSSESSORY INTEREST
SELF-STUDY TRAINING SESSION

REVIEW QUESTIONS

CHAPTER 1: INTRODUCTION

1. Generally, a possessory interest consists of a right to the possession of real property for a period less than perpetuity by one party, the holder of the possessory interest, while another party, the fee simple owner, retains:

   ____
   ____
   ____

2. A "taxable possessory interest" is a possessory interest that is separately taxable to the possessor. For introductory purposes, a taxable possessory interest can be defined as:

   ____
   ____

CHAPTER 2: DEFINING A TAXABLE POSSESSORY INTEREST

3. The following early court cases helped define what constitutes a taxable possessory interests except:

   ☐ *State v. Moore*
   ☐ *People v. Shearer*
   ☐ *San Pedro, Los Angeles & Salt Lake Railroad Co. v. City of Los Angeles*
   ☐ *Mitsui Fudosan, Inc. v. County of Los Angeles*

4. In *Kaiser v. Reid*, the California Supreme Court provided a set of criteria, or standards, for determining when a private possessory right constitutes a taxable possessory interest. The court established what three criteria?

   a.____

   b.____

   c.____

5. List the four primary criteria—each of which derives, directly or indirectly, from *Kaiser*—that must be met for a possessor's interest in publicly owned real property to constitute a taxable possessory interest:

   a. ____
   b. ____
   c. ____
   d. ____

6. To constitute more than a mere ________________, in the language of the rule, the possessor must have the right and ability to:

   ____

7. Rule 20, when defining exclusivity, excludes the concurrent use of real property.

   ☐ True
   ☐ False

8. The fact that a possession of real property is not for a business or commercial purpose or that the possessor is a non-profit corporation does not preclude the possessor from being found to have received a "private benefit" from that possession.

   ☐ True
   ☐ False

9. Taxable possessory interests are generally only applicable to real property with the exception of ______________________________
____
____

10. A taxable possessory interest may exist in property ceded by the state to the federal government after 1939, but a taxable possessory interest cannot exist, in the absence of express congressional authorization, in property ceded from the state to the federal government prior to 1939.

- ☐ True
- ☐ False

11. Which of the following private interest in publicly owned land is not a taxable possessory interest?

- ☐ Student-occupied residences on university-owned real property
- ☐ Grazing of livestock on national forest lands
- ☐ Federal shipyard for the construction of ships
- ☐ Airport car rental counter space and other leased areas of car rental companies

CHAPTER 3: VALUATION OF TAXABLE POSSESSORY INTERESTS

12. When valuing a taxable possessory interest, the highest and best use of that possessory interest is always its ______________________, which is not necessarily the same highest and best use as the fee interest.

13. When valuing a possessory interest, the purchase price presumption is not applicable. Why?
____
____
____
____
____
____
____

14. The value that is sought when assessing a taxable possessory interest is equal to any of the following:

a. ____
____
____
____
____

b. ____
____
____
____
____

c. ____
____
____
____
____

15. The *De Luz* court held that in valuing a taxable possessory interest by the capitalization of income method, it was improper to deduct ____
____
____
____
____

16. All else being equal, the longer the term of possession, the higher the value of the possessory interest.

☐ True
☐ False

17. Rule 21 defines the "term of possession for valuation purposes" as the __________________
____.

18. As stated in subsection (d)(1) of the rule 21, "[t]he stated term of possession shall be deemed ____
____
____
____
____
____
____
____

19. If there is no stated term of possession, the reasonably anticipated term of possession shall be demonstrated by the intent of the public owner and the private possessor, and by the intent of similarly situated parties using criteria such as the following:

a. ____
____
____

b. ____
____
____

c. ____
____
____

d. ____
____
____
____

e. ____
____
____
____

20. List the valuation approaches for taxable possessory interests:

a. ____

b. ____

c. ____

21. With the direct methods, the appraiser directly estimates the present value________________
____
____.

With the indirect methods, the appraiser estimates the value of the rights in the taxable possessory interest as ____
____

and subtracts ____
____
____
____
____.

22. In the comparative sales approach-direct method, the appraiser uses the sale price of the subject taxable possessory interest and/or the sale price of one or more comparable taxable possessory interests to derive a value indicator. The method involves the following steps:

a. ____
____
____

b. ____
____
____

c. ____
____
____

d. ____
____
____

e. ____
____
____
____

f. ____
____
____
____
____

23. The income to be capitalized when valuing a taxable possessory interest is the____________ ____________ to the public owner attributable to the taxable possessory interest, which is ______________________________ less______________________________.

24. The contract rent should be reduced by any expenditure necessary to maintain the income from the taxable possessory interest during the possessor's reasonably anticipated term of possession, including any element of "gross outgo" as defined in subsection (c) of Rule 8. Examples of allowable expenses (gross outgo) include but are not limited to:

a. ____
b. ____
c. ____
d. ____
e. ____
f. ____
g. ____

25. Gross outgo, or allowed expenses, does not include the following:

a. ______________________________
b. ______________________________
c. ______________________________
d. ______________________________
e. ______________________________
f. ______________________________
g. ______________________________
h. ______________________________
i. ______________________________

26. The appraiser may estimate the market (economic) rent as of the valuation date using any of the following as indicators, or evidence, of the market rent, as appropriate:

a. ______________________________
____
b. ______________________________
____
c. ______________________________
____
d. ______________________________
____

27. A capitalization rate may be developed either:

a. ______________________________
____
b. ______________________________
____
____
____

28. In direct capitalization, the value indicator is obtained by dividing ______________
______________ by ______________
______________________________.

29. In yield capitalization, the value indicator is obtained by discounting ______________
____
____
includes ______________________________
____
______________________________.

30. In order to derive a yield rate from sales data (i.e., "the market-derived" way), the appraiser requires the buyer's _____________annual net incomes (including the expected income that results from the reversionary value) over the buyer's ____________________ holding period.

31. The income approach-indirect method involves the following two steps:

a. ____
____
____

b. ____
____
____
____

32. The cost approach involves the following steps:

a. ____
____
____

b. ____
____
____

c. ____
____
____

d. ____
____
____

CHAPTER 4: TAXABLE POSSESSORY INTERESTS AND ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION

33. In general, the provisions of article XIII A and related statutes and regulations apply to the assessment of taxable possessory interests. In brief, this means the following:

a. ____
____
____

b. ____
____
____

c. ____
____
____
____

d. ____
____
____

34. Among the factors that may cause a decline in value of a taxable possessory interest is a reduction in the reasonably anticipated______________________________
If the reasonably anticipated term of possession is based on the stated term of possession, the term of possession ______________________________________.

35. Under subdivision (d) section 61, the following events constitute a change in ownership of a taxable possessory interest:

a. ____
____
____

b. ____
____
____

c. ____
____
____

d. ____
____
____

e. ____
____
____
____

36. In the case of a taxable possessory interest, a change in ownership is deemed to occur with the creation of subleasehold interest in the taxable possessory interest that is greater than half the remaining term of the taxable possessory interest itself.

☐ True
☐ False

37. When a change in ownership of a taxable possessory interest occurs because of a sublease transaction, and the sublease involves a portion rather than all of the taxable possessory interest, only the subleased portion of the taxable possessory interest______________
____.

38. When a public entity acquires privately owned real property subject to a lease, the leasehold interests become separately assessable taxable possessory interests on the date___
____.

39. In general, a taxable possessory interest is subject to supplemental assessment in the same manner as other real property subject to article XIII A of the California Constitution—that is, a taxable possessory interest is subject to supplemental assessment on change in ownership or new construction.

☐ True
☐ False

40. Under the provisions of section 155.20, a county board of supervisors may exempt from taxation, by local ordinance or resolution, all real property with a base year value ________
____
____
____.

CHAPTER 5: SPECIAL ASPECTS OF TAXABLE POSSESSORY INTEREST ASSESSMENT

41. Section 480.6 requires every state or local governmental entity that is the fee owner of real property in which a taxable possessory interest has been created to either:

a. ____
____
____

or

b. ____
____
____

42. In general, land owned by a local government and located outside its boundaries is taxable if the land was taxable when acquired, and improvements owned by a local government and located outside its boundaries are taxable if the improvements were taxable when acquired or were constructed to replace improvements that were taxable when acquired.

☐ True
☐ False

43. Section 11, subdivision (f) of section 11 was added to ensure that, for a given unit of real property, the total of the assessment of the taxable government owned interest and of any taxable possessory interest assessments would not exceed ______________________________
____
____.

44. A public retirement system, which has invested assets in real property and improvements thereon for business or residential purposes for the production of income, shall pay annually to the city or county, in whose jurisdiction the real property is located and has been removed from the secured roll, a fee for general governmental services equal to the difference between ____
____
____
____

45. The proper assessment of the investment real property of a local public employees retirement system that is located outside the system's boundaries is the sum of the following:

a. ____
____
____

b. ____
____
____
____

46. For a taxable possessory interest in the investment real property of a state public employees retirement system, if the lessee has leased less than all the property, the assessed value of each taxable possessory interest is the greater of:

a. ____
____

b. ____
____
____
____

47. A taxable possessory interest in property owned by a redevelopment agency should be assessed as if ____, that is, the assessed value should include ____
____.

48. The preferred method for determining the assessed value of a cable television taxable possessory interest is the income approach.

- ☐ True
- ☐ False

49. If the assessor uses the comparative sales approach, and the comparable sales data reflects the sale of a cable television possessory interest in combination with other property that includes, but is not limited to, intangible assets or rights, the assessment also loses ________ ____.

50. Pursuant to section 107.8, a lease-leaseback transaction of publicly owned real property does not create a taxable possessory interest if all of the following conditions are satisfied:

a. ____

b. ____

c. ____

d. ____